

Message Text

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EE.O. 11652 GDS

TAGS: ETRD, XM

SUBJECT: CARTEL CRITERIA OF TRADE ACT GSP PROVISIONS

REF: STATE 042348

FOR ARA ASST SEC ROGERS FROM AMBASSADOR

1. IN ANTICIPATION OF DISCUSSIONS OF THE TRADE ACT AT THE IA-ECOSOC MINISTERIAL MEETINGS MARCH 10-15, AND SUBSEQUENT OAS REUNIONS, I THINK IT MOST IMPORTANT TO DRAW YOUR ATTENTION TO THE IMPLICATIONS OF PARAGRAPH THREE REFERENCED TELEGRAM. THE U.S. IS BEING CHARGED INTER ALIA THROUGHOUT THE HEMISPHERE WITH PLANNING TO USE THE NEW TRADE LAW AS A COERCIVE INSTRUMENT TO PREVENT POORER NATIONS FROM ORGANIZING TO PROTECT WORLD PRICES OF THEIR COMMODITIES, SUCH AS BANANAS, COFFEE, AND SUGAR. FOR OUR PART, WE HAVE STATED TIME AND AGAIN THAT THE NEW TRADE LAW IS AIMED AT IMPROVING THE LOT OF DEVELOPING COUNTRIES IN THE AREA OF INTERNATIONAL TRADE, E.G. THROUGH GSP BENEFITS AND IN MTNS BASED ON THE TOKYO DECLARATION.

2. IF WE ARE TO BE ABLE TO CONTINUE TO MAINTAIN WITH CREDIBILITY THAT OUR AIM IS TO ASSIST LDCS,
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THEN WE MUST, I THINK, CAREFULLY DISTINGUISH

BETWEEN 1) EFFORTS ON THE PART OF LDCS TO JOIN IN PRODUCER ASSOCIATIONS AIMED AT SUCH LEGITIMATE GOALS (TO WHICH WE HAVE NOT OBJECTED IN THE PAST) AS STABILIZING CONSUMER COMMODITY PRICES ON THE ONE HAND, AND 2) ACTION WHICH "CAUSES SERIOUS DISRUPTION OF THE WORLD ECONOMY," AS ENVISIONED BY SECTION 502 OF THE ACT. WE SHOULD BE AUTHORIZED TO MAKE IT CLEAR TO LDCS SUCH AS MEXICO THAT WE HAVE NO OBJECTION TO THEIR PARTICIPATION IN, FOR EXAMPLE, COFFEE AND SUGAR PRODUCERS' ASSOCIATIONS AS THEY ARE PRESENTLY CONSTITUTED.

3. WHILE THERE MAY BE THOSE IN U.S. AGENCIES WHO PERCEIVE A TACTICAL ADVANTAGE IN KEEPING LDCS "GUESSING" ABOUT WHETHER THEY MIGHT LOSE THEIR GSP, IT IS OUR VIEW THAT ANY SUCH ADVANTAGE IS FAR OUTWEIGHED BY OUR DESIRE TO ATTAIN THE LONG-TERM CONFIDENCE OF LATIN AMERICANS THAT OUR NEW TRADE LAW WILL BE ADMINISTERED IN A FLEXIBLE AND LIBERAL FASHION. (A PROGAMATIST MIGHT ALSO QUESTION THE LONG-RANGE POTENTIAL EFFECTIVENESS OF CONSUMER PRODUCT "CARTELS," E.G. FOR BANANAS, AND WONDER WHETHER THE LOSS IN POLITICAL GOOD-WILL IS WORTH OUR OPPOSITION TO THEIR FORMATION.)

4. WITH THIS IN MIND, I WAS CONCERNED TO NOTE REFERENCED INSTRUCTIONS TO DISCOURAGE "HOST COUNTRY ATTRACTION TO COMMODITY SCHEMES" IN RESPONSE TO INQUIRIES ABOUT SECTION 502 OF THE TRADE ACT. I SUBMIT THAT THIS "DISCOURAGEMENT" COULD WELL BE INTERPRETED AS EXERTING EXACTLY THOSE PRESSURES ON LA GOVERNMENTS WHICH CRITICS OF THE TRADE LAW HAVE SAID WE WOULD. IF WE ARE TO CONVINCE OUR LATIN AMERICAN FRIENDS THAT WE INTEND TO ADMINISTER THE LAW IN A LIBERAL AND FLEXIBLE WAY, THEN OUR ACTIONS MUST MATCH OUR RHETORIC.

5. WHILE OUR DETAILED THOUGHTS ABOUT THE IA-ECOSOC MARCH 10-15 MEETING ARE BEING REPORTED SEPARATELY, I WOULD LIKE TO SUGGEST HERE THE GREAT USEFULNESS OF A STRAIGHTFORWARD STATEMENT BY OUR U.S. DELEGATE AT THESE

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MEETINGS MAKING IT CLEAR THAT WE WELCOME LEGITIMATE JOINT EFFORTS BY CONSUMER COMMODITY PRODUCERS AMONG THE LDCS TO SEEK STABLE AND REASONABLE PRICES FOR THEIR EXPORTS.

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